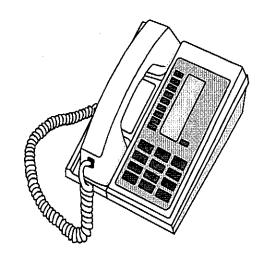
YEAR ENDING <u>DECEMBER</u> 2007

ANNUAL REPORT

OF

SOUTHERN MONTANA TELEPHONE COMPANY

TELEPHONE UTILITY



TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

2007 Telephone Annual Report

Instructions

General

- 1. A Microsoft EXCEL workbook of the annual report is being provided on our website for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell. You may also obtain these instructions and the report in both an Adobe Acrobat format and as an EXCEL file from our website at http://psc.mt.gov/ under the "Reports" section on that page. Please be sure you use the 2006 report form.
- 2. Use of the EXCEL© file is optional. There are macros built into the workbook to assist you with the report.
- 3. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. Please submit one unbound copy of the annual report along with the regular number of annual reports that you submit. This aids in scanning the report so that it may be published on our web site. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5" by 11" page with the left binding edge (top if landscaped) set at .85", the right edge (bottom if landscaped) set at .4", and the remaining two margins at .5".
- 4. Unless otherwise indicated, all information required in these schedules shall be from the accounts prescribed in 47 C.F.R. Part 32 and the definitions and instructions therein will apply to this report wherever applicable.
- 5. Information on financial schedules may be rounded to thousands of dollars for companies with over 5,000 access lines. Companies submitting schedules rounded to thousands should so indicate at the top of the schedule.
- 6. Where more space is needed or more than one schedule is needed additional schedules may be attached and should be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).
- 7. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.

8. The following schedules should be filled out with information on a total company basis:

Schedules 1 - 4 Schedule 10 Schedules 13 - 17 Schedule 19 Schedule 20, Page 1 of 2 Schedules 33 and 34

All other schedules should be filled out with Montana specific data. Financial schedules should include all amounts originating in Montana or allocated to Montana from other jurisdictions.

- 9. All companies owned by another company shall attach a corporate structure chart of the holding company.
- 10. The following schedules are not required to be filled out or submitted by companies with less than 5,000 access lines:

Schedule 6 Schedules 17 and 18 Schedule 21

- 11. Schedules that have no activity during the year or are not applicable to the respondent should be marked as not applicable and submitted with the report.
- 12. Companies with under 5,000 lines may use summary accounts and should leave lines for subaccounts blank. Summary accounts are noted with an asterisk and subaccounts that are not required are noted with a caret.
- 13. Companies with over 5,000 lines must complete schedules to all required subaccount detail.
- 14. FCC Form M sheets may not be substituted in lieu of completing annual report schedules.
- 15. Common sense must be used when filling out all schedules.

Specific Instructions

Schedules 6, 7, 8, 18, 29, 30 and 35

1. The Montana Public Service Commission approved intrastate depreciation rates must be utilized in the preparation of these schedules.

Schedules 3 through 9

1. Schedules 3, 4, and 9 should include all notes to the financial statements required by the FCC or included in the financial statements issued as audited financial statements. These notes should be included in the report directly behind the schedules and should be labeled appropriately (Schedule 3A, etc.).

- 2. Schedule 5 may be omitted for companies doing business only in Montana.
- 3. Schedule 6 is not required for companies with under 5,000 lines.
- 4. Schedule 7 must be completed by all companies. For companies under 5,000 lines, this schedule may be completed on a total state basis. Any such company completing the form on a total state basis shall indicate this fact clearly on the form.
- 5. Schedule 8 Companies with less than 5,000 lines are not required to fill out the intrastate portion. The regulated rate base must be separated from the deregulated rate base but this may be done on a total state basis. Any company so doing shall clearly indicate this on the form.
- 6. Only accounts designated on Schedule 8 may be included in rate base. Only companies who have specifically been authorized in a Commission order to include cash working capital in rate base may fill out line 8 on Schedule 8. Cash working capital must be calculated using the methodology approved in the Commission order. The most recent Commission Order, and Docket, specifying cash working capital shall be noted on the schedule.
- 7. Schedule 9 Instructions to complete are similar to those used for the Statement of Cash Flows in the FCC Form M.

1. For the purpose of this schedule, nonofficial companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in 47 C.F.R. Section 32.9000. This schedule shall not include telecommunications accounts receivable from other customers.

Schedule 11

1. All amounts listed in Column f that represent individual items for which the higher of cost or market value was in excess of \$50,000 for companies with under 5,000 lines and in excess of \$100,000 for companies with over 5,000 lines must be fully explained in notes to this schedule. The explanation must include the plant description and location, the original cost, the net book cost, the market value, the value at which it was transferred or the price at which it was sold, and the party to which it was transferred or sold.

Schedule 12

- 1. Respondents shall list each item amounting individually to \$100,000 or more and report all others in the aggregate.
- 2. Amounts in Column f relating to individual items exceeding \$50,000 shall be fully explained.

- 1. Line 1 must be completed by all companies for the most recent calendar year. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "Year Ended" row. If the computer disk is used, enter the year end market price in the "High" column.
- 2. Lines starting at 9 shall be completed for each of the twelve months of the report year for all companies with over 5,000 access lines. Earnings per share and dividends per share shall be reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)

Schedule 19

- 1. All companies are required to submit this form. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.
- 2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.
- 3. Interest rate percentages shall be listed to two decimal places.

Schedule 20

- 1. All changes to the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 & 16. All assumptions used in quantifying cost containment results shall be disclosed.
- 2. The schedule shall be filled out using FASB 106 and 132 guidelines.

Schedule 21

1. Respondents shall disclose all payments made during the year where the aggregate payment to the recipient was \$25,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

Schedule 23

1. Respondents shall provide an attached sheet detailing the type and corresponding number of access lines for all entries in Column L (Other). At the company's option, it may file for this information to be considered proprietary, however, the totals are not considered proprietary and need to be filed in the public annual report.

Schedule 24

- 1. Column (b). For each wire center that has a configuration of "Remote", Column (b) shall also reflect the respective "Host".
- 2. Column (c). Examples of Types of Switches are: Digital, Step by Step, and Crossbar.

1. This schedule must be completed by all companies for the year following the reporting year.

Schedule 25a

1. This schedule should reflect the amount of total dollars spent in Montana during the reporting year and booked to the accounts listed on the schedule per the Code of Federal Regulations (CFR), Title 47, Chapter 1, Part 32. Universal System of Accounts.

Schedule 26

1. Respondents shall either report construction technicians and splicers as separate categories or footnote the appropriate categories and indicate the number of (1) construction technicians; and (2) splicers.

Schedule 27

- 1. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
- 2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains.

Schedule 28

- 1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).
- 2. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
- 3. All items included in Column (d) Other Compensation shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule.

4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

Schedule 29

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.

Schedule 30 and 30a

1. If the total of lines 35 on these schedules differs from Line 31 on Schedule 7 please reconcile the difference.

Schedules 33 and 34

- 1. Respondents shall report all transactions with affiliated companies.
- Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.
- 3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

Schedule 35

- 1. Respondents shall provide an attached sheet detailing the account and the amount for all entries made to Lines 9 and 16.
- 2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in rate base may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.
- 3. Respondents shall indicate, for each adjustment on lines 30 through 42, if the amount is updated or if it is from the last rate case. All adjustments shall be calculated using Commission methodology.

Schedule 36

1. Respondents shall list the amount of tax accrued or paid for the fiscal year attributable to Montana sources for each of the listed taxes

2. Respondents shall list the amount of Universal Service Funds received from Montana and from the federal government.

Telephone Annual Report

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General Information

Year: 2007

1	Legal Name of Respondent:	Southern Montana Telephone Company					
2	Name Under Which Respondent Does Business:	Southern Montana Telephone Company					
3	Date of Incorporation:	1944					
4	Address to send Correspondence Concerning Report:	PO Box 205; Wisdom, MT 59761					
5	Person Responsible for This Report:	Steve Kramer, General Manager					
5a.	Telephone Number:	406-689-3333					
Control Over Respondent							
1	If direct control over the respondent was held by another entity at the end of year provide the following:						
	1a. Name and address of the controlling organization or person:						
I							

1b. Means by which control was held:

1c. Percent Ownership:

		Board of Directors	
Line No.		Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Robert G. Helming	PO Box 205; Wisdom, MT 59761	9,000
2	Conrad Eklund	PO Box 205; Wisdom, MT 59761	7,500
3	Tara Helming	PO Box 205; Wisdom, MT 59761	1,500
4			
5			
6			
7			
8	,		
9			
10			.
11		·	į
12		•	
13			
14			
15		•	
16			
17	grande and the procedure	Debort C. Holming	
18	Chairman of the Board:	Robert G. Helming	
19			
20			

Officers

Year: 2007

Lime No. (a) Department by which purisherion is Exercised (b) Holding Office at Year End (b) Holding Office at Year End (b) Conrad Eklund, Wisdom, MT 59761 President All Departments Secretary/Treasurer All Departments Secretary/Treasurer All Departments Secretary/Treasurer All Departments **Conrad is gone now.** **Conrad is gone now.** **Conrad is gone now.** **Total in the property of the			Officers The Control of the Control	N
No. (a) All Departments (b) Robert G. Helming, Wisdom, MT 59761 1 President All Departments Cornerad Eklund, Wisdom, MT 59761 3 Secretary/Treasurer All Departments 4 Cornead is gone now. 7 Cornead is gone now. 7 Resident All Departments All Departments All Departments All Departments All Departments All Departments 1 Tara Helming, Wisdom, MT 59761 2 Tara Helming, Wisdom, MT 59761 3 Tara Helming, Wisdom, MT 59761 4 Tara Helming, Wisdom, MT 59761 4 Tara Helming, Wisdom, MT 59761 5 Tara Helming, Wisdom,	Line	Title	Department Over Which	Name and Address of Person
President		of Officer	Jurisdiction is Exercised	
President	INO.	(a)	(b)	(c)
2 Secretary/Treasurer* All Departments Conrad Eklund, Wisdom, MT 59761 4 5 6 * Conrad is gone now. 7 8 9 9 10 11 11 12 13 14 15 16 16 17 18 19 20 20 21 1 22 23 24 25 26 27 28 29 30 30 30 31 32 33 34 4 35 36 37 38 39 40 40 41 42 43 44	1			
3 Secretary/Treasurer All Departments Tara Helming, Wisdom, MT 59761 5 **Conrad is gone now.** **Conrad is gon				
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Total Company Balance Sheet

Page 1 of 2 Year: 2007

			Total Company Datance Sheet		
Line		Acct.		This	Last
i		No.	Description	Year	Year
No.		(a)	(b)	(c)	(d)
1			CURRENT ASSETS:		
2		1120	Cash and Equivalents	(See attached A	udited Financials
3		1180	Telecommunications Accounts Receivable - Net	for all of SO	CHEDULE 3)
4		1190	Other Accounts Receivable - Net		
5		1200	Notes Receivable - Net		
6		1210	Interest and Dividends Receivable		
7		1220	Materials and Supplies		
8	*	1280	Prepayments		
9	^	1290	Prepaid Rents		
10	^	1300	Prepaid Taxes		
11	^	1310	Prepaid Insurance		
12	^	1320	Prepaid Directory Expenses		
13	٨	1330	Other Prepayments		
14		1350	Other Current Assets		
15			Total Current Assets		
16			NONCURRENT ASSETS:		
17		1401	Investments in Affiliated Companies		
18		1402	Investments in Nonaffiliated Companies		
19		1406	Nonregulated Investments		
20		1407	Unamortized Debt Issuance Expense		
21		1408	Sinking Funds		
22		1410	Other Noncurrent Assets		
23		1438	Deferred Maintenance and Retirements		
24		1439	Deferred Charges		
25		1500	Other Jurisdictional Assets - Net		
26			Total Noncurrent Assets		
27			PROPERTY, PLANT, & EQUIPMENT:		
28		2001	Telecommunications Plant in Service		
29		2002	Property Held for Future Telecommunications Use		
30		2003	Plant Under Construction - Short Term		
31		2004	Plant Under Construction - Long Term		
32		2005	Telecommunications Plant Adjustment		
33		2006	Nonoperating Plant		
34		2007	Goodwill		
35		3100	Accumulated Depreciation		
36		3200	Accumulated Depreciation - Held for Future Use		
37		3300	Accumulated Depreciation - Nonoperating		
38		3400	Accumulated Amortization		
39			Net Property, Plant, & Equipment		
	T				
40			TOTAL ASSETS		
			faccount marked with a *.		

[^] Subaccount of account marked with a *.

Total Company Balance Sheet

Page 2 of 2 Year: 2007

This Last Acct. Line Year Year No. Description No. (d) (c) (a) (b) **CURRENT LIABILITIES:** 41 Accounts Payable 4010 42 4020 Notes Payable 43 Advance Billing and Payments 4030 44 4040 **Customer Deposits** 45 Current Maturities - Long Term Debt 4050 46 Current Maturities - Capital Leases 47 4060 4070 Income Taxes - Accrued 48 4080 Other Taxes - Accrued 49 Net Current Deferred Operating Income Taxes 50 4100 Net Current Deferred Nonoperating Income Taxes 4110 51 Other Accrued Liabilities 52 4120 Other Current Liabilities 4130 53 **Total Current Liabilities** 54 LONG-TERM DEBT: 55 56 4210 Funded Debt Premium on Long-Term Debt 4220 57 Discount on Long-Term Debt 58 4230 Reacquired Debt 4240 59 Obligations Under Capital leases 60 4250 Advances From Affiliated Companies 4260 61 4270 Other Long-Term Debt 62 **Total Long-Term Debt** 63 OTHER LIABILITIES AND DEFERRED CREDITS: 64 Other Long-Term Liabilities 65 4310 4320 Unamort, Oper. Invest. Tax Credits - Net 66 Unamort. Nonoper. Invest. Tax Credits - Net 4330 67 Net Noncurrent Deferred Oper. Income Taxes 4340 68 Net Noncurrent Deferred Nonoper. Income Taxes 69 4350 Other Deferred Credits 70 4360 Other Jurisdictional Liab. and Def. Credits 4370 71 Total Other Liabilities and Deferred Credits 72 STOCKHOLDERS' EQUITY: 73 Capital Stock 4510 74 4520 Additional Paid-In Capital 75 4530 Treasury Stock 76 4540 Other Capital 77 Retained Earnings 78 4550 Total Stockholders' Equity 79 TOTAL LIAB. AND STOCKHOLDERS' EQUITY 80

Southern Montana Telephone Company

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ASSETS

	December 31,		
	2007	2006	
CURRENT ASSETS	A 1 029 454	Ф 761 470	
Cash and cash equivalents	\$ 1,038,474	\$ 761,478	
Investment in certificates of deposit at amortized cost	851,026	762,437	
Subscriber receivables	71,627	69,598	
Settlements and access accounts receivable, net of allowance	207 000	320,072	
for doubtful accounts of \$20,266 in 2007 and \$-0- in 2006	287,898	•	
Material and supplies	63,538	56,428	
Other current assets	9,129	9,029	
Total current assets	2,321,692	1,979,042	
NONCURRENT ASSETS		•	
Investment in available for sale securities	-	222,513	
Investment in available for sale securities Investment in certificates of deposit at amortized cost	_	90,000	
Investment in held to maturity securities	40,000	40,000	
Investment in affiliate	,	1,276	
Investment in nonaffiliates	313,729	297,191	
Nonregulated investments	41,628	41,896	
	395,357	692,876	
PROPERTY, PLANT, AND EQUIPMENT			
Telecommunications plant in service	11,176,235	8,734,344	
Telecommunications plant under construction	367,366	142,011	
	11,543,601	8,876,355	
Less accumulated depreciation and amortization	5,971,996	5,440,934	
Less accumulated depresention and amorazation			
	5,571,605	3,435,421	
	\$ 8,288,654	\$ 6,107,339	



LIABILITIES AND STOCKHOLDER'S EQUITY

	December 31,		
	2007	2006	
CURRENT LIABILITIES			
Accounts payable	\$ 129,539	\$ 280,095	
Advance billing and customer deposits	27,663	37,158	
Current maturities of long-term debt	304,936	215,899	
Other accrued taxes	26,350	30,916	
Other accrued liabilities	165,931	161,703	
Accrued interest payable	552	5,513	
Total current liabilities	654,971	731,284	
LONG-TERM DEBT	3,738,976	1,566,764	
STOCKHOLDER'S EQUITY Common stock, \$10 par value; 2,703 shares authorized and 610 shares issued and outstanding at December 31, 2007 and 2006	6,100	6,100	
Paid-in capital	3,290	3,290	
Retained earnings	3,885,317	3,810,506	
	3,894,707	3,819,896	
Unrealized loss on available for sale securities		(10,605)	
	3,894,707	3,809,291	
	\$ 8,288,654	\$ 6,107,339	

SOUTHERN MONTANA TELEPHONE COMPANY STATEMENT OF STOCKHOLDER'S EQUITY GOOD WITH Defeated 3

	Total		ommon Stock	aid in Capital	Retained Earnings	Comp	urnulated prehensive me (Loss)	prehensive ome (Loss)
Balance, December 31, 2005	\$ 3,873,626	\$	6,100	\$ 3,290	\$ 3,942,535	\$	(78,299)	
Net income	172,530		-	-	172,530		-	\$ 172,530
Change in unrealized loss on available for sale								
securities	17,491		-	-	-		17,491	17,491
Reclassification adjustment	50,203		-	-	-		50,203	 50,203
Comprehensive income	-		-	-	-			\$ 240,224
Distributions	(304,559)			 -	(304,559)			
Balance, December 31, 2006	3,809,291		6,100	3,290	3,810,506		(10,605)	
Net income	214,351		-	-	214,351		-	\$ 214,351
Change in unrealized loss on available for sale securities	26,100		-	-	-		26,100	26,100
Reclassification adjustment	(15,495)		-	-	-		(15,495)	 (15,495)
Comprehensive income	-		-	-	-			\$ 224,956
Distributions	(139,540)			 	(139,540)		<u>-</u>	
Balance, December 31, 2007	\$ 3,894,707	<u>\$</u>	6,100	\$ 3,290	\$ 3,885,317	\$		٠

Total Company Income Statement

Year: 2007 Last This Acct. Line Year Year Description No. No. (d) (b) (c) (a) REVENUES: 1 Basic Local Service Revenues (See attached Audited Financials 2 5000 for all of SCHEDULE 4) 3 5080 Network Access Revenues 5100 Long Distance Message Revenue 4 Unidirectional Long Distance Revenue 5 5110 Long Distance Private Network Revenue 6 5120 7 Other Long Distance Revenue 5160 Other Long Distance Revenue Settlements 8 5169 Miscellaneous Revenue 9 5200 Directory Revenue 5230 10 5240 Rent Revenue 11 Corporate Operations Revenue 5250 12 Miscellaneous Revenue 13 5260 Carrier Billing and Collection Revenue 5270 14 Nonregulated Revenue 5280 15 5300 Uncollectible Revenue 16 Total Revenues (L.2+L.3+L.4+L.9-L.16) 17 **OPERATING EXPENSES:** 18 Network Support Expense 6110 19 General Support Expense 20 6120 Central Office Switching Expense 21 6210 Operator Systems Expense 6220 22 Central Office Transmission Expense 23 6230 Information Origination/Termination Expense 24 6310 Cable and Wire Facilities Expense 6410 25 Aerial Wire Expense 6431 26 Conduit Systems Expense 6441 27 Other Property, Plant & Equipment Expense 6510 28 Network Operations Expense 6530 29 30 6540 Access Expense Depreciation and Amortization Expense 6560 31 32 6610 Marketing 6620 Services 33 **Executive and Planning** 34 6710 General and Administrative 35 6720 Provision for Uncollectible Notes Receivable 6790 36 Total Operating Expenses (Sum L.19 to L.36-L.26-L.27) 37 Other Operating Income and Expense 7100 38 7200 Operating Taxes 39 Net Operating Income (L.17-L.37+L.38-L.39) 40 Nonoperating Income and Expense 41 7300 7400 Nonoperating Taxes 42 Interest and Related Items 7500 43 Extraordinary Items 44 7600 Effects of Juris. Ratemaking Diff. - Net 7910 45 Nonregulated Net Income 7990 46 NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)

[^] Subaccount of the account marked with a *.

SOUTHERN MONTANA TELEPHONE COMPANY BALANCE SHEET

	goes with Dehedule 4			
	Year Ended December 31			
	2007	2006		
OPERATING REVENUES				
Local network services	\$ 186,075	\$ 184,121		
Interstate access revenue	1,609,451	1,513,405		
Intrastate access revenue	405,697	410,630		
Long distance services	96,590	70,930		
Carrier billing and collection	4,087	6,829		
Miscellaneous	1,549	2,574		
Nonregulated services	158,300	132,266		
Uncollectible	(1,660)	(1,371)		
	2,460,089	2,319,384		
OPERATING EXPENSES				
Plant specific operations	483,618	448,324		
Plant nonspecific operations	299,760	452,388		
Depreciation	597,530	553,281		
Customer operations	53,034	64,672		
Corporate operations	586,597	415,690		
Other operating taxes	46,986	45,501		
Nonregulated	199,278	157,309		
	2,266,803	2,137,165		
Operating income	193,286	182,219		
Nonoperating income (expense)				
Interest and dividend income	82,935	102,718		
Gain (loss) on sale of investments	15,495	(50,203)		
Allowance for funds used during construction	15,248	_		
Interest expense	(91,589)	(56,390)		
Other nonoperating expense	(1,024)	(5,814)		
	21,065	(9,689)		
	\$ 214,351	\$ 172,530		

Year: 2007 **Montana Total State Income Statement** This Last Acct. Line Description Year Year No. No. (d) (c) (b) (a) REVENUES: 1 Basic Local Service Revenues 5000 2 See Schedule 4, only in MT 5080 Network Access Revenues 3 Long Distance Message Revenue 5100 4 Unidirectional Long Distance Revenue 5 5110 Long Distance Private Network Revenue 6 5120 Other Long Distance Revenue 7 5160 Other Long Distance Revenue Settlements 8 5169 Miscellaneous Revenue 9 5200 Directory Revenue 10 5230 Rent Revenue 5240 11 ٨ Corporate Operations Revenue 12 5250 ۸ Miscellaneous Revenue 5260 13 ٨ Carrier Billing and Collection Revenue 14 5270 Nonregulated Revenue 5280 15 16 5300 Uncollectible Revenue **Total Revenues (L.2+L.3+L.4+L.9-L.16)** 17 **OPERATING EXPENSES:** 18 Network Support Expense 6110 19 20 6120 General Support Expense Central Office Switching Expense 21 6210 22 6220 Operator Systems Expense Central Office Transmission Expense 6230 23 Information Origination/Termination Expense 6310 24 Cable and Wire Facilities Expense 25 6410 Aerial Wire Expense 6431 26 27 6441 Conduit Systems Expense Other Property, Plant & Equipment Expense 6510 28 6530 Network Operations Expense 29 Access Expense 6540 30 Depreciation and Amortization Expense 6560 31 Marketing 32 6610 Services 6620 33 **Executive and Planning** 34 6710 General and Administrative 6720 35 Provision for Uncollectible Notes Receivable 36 6790 Total Operating Expenses (Sum L.19 to L.36-L.26-L.27) 37 Other Operating Income and Expense 38 7100 Operating Taxes 7200 39

(L.17-L.37+L.38-L.39)

40

Net Operating Income

[^] Subaccount of the account marked with a *.

Montana Intrastate Income Statement

Year: 2007 Last This Acct. Line Year Year Description No. No. (d) (c) (b) (a) REVENUES: 1 Basic Local Service Revenues 2 5000 Company is under 5,000 access lines Network Access Revenues 3 5080 Long Distance Message Revenue 4 5100 Unidirectional Long Distance Revenue 5 5110 Long Distance Private Network Revenue 6 5120 Other Long Distance Revenue 7 5160 Other Long Distance Revenue Settlements 8 5169 Miscellaneous Revenue 5200 9 Directory Revenue 10 5230 Rent Revenue 5240 11 Corporate Operations Revenue 12 5250 Miscellaneous Revenue 5260 13 Carrier Billing and Collection Revenue 14 5270 Nonregulated Revenue 15 5280 5300 Uncollectible Revenue 16 Total Revenues (L.2+L.3+L.4+L.9-L.16) 17 **OPERATING EXPENSES:** 18 Network Support Expense 6110 19 General Support Expense 6120 20 Central Office Switching Expense 6210 21 6220 Operator Systems Expense 22 Central Office Transmission Expense 6230 23 Information Origination/Termination Expense 24 6310 Cable and Wire Facilities Expense 25 6410 Aerial Wire Expense 6431 26 Conduit Systems Expense 27 6441 Other Property, Plant & Equipment Expense 6510 28 6530 Network Operations Expense 29 Access Expense 6540 30 Depreciation and Amortization Expense 6560 31 Marketing 32 6610 Services 33 6620 Executive and Planning 34 6710 General and Administrative 6720 35 Provision for Uncollectible Notes Receivable 36 6790 Total Operating Expenses (Sum L.19 to L.36-L.26-L.27) 37 Other Operating Income and Expense 38 7100 **Operating Taxes** 7200 39 (L.17-L.37+L.38-L.39) Net Operating Income

40

[^] Subaccount of the account marked with a *.

Year: 2007

Company Name: Southern Montana Telephone Company

Montana Intrastate Regulated Income Statement

This Last Acct. Line Year Year Description No. No. (c) (d) (b) (a) REVENUES: 1 Basic Local Service Revenues 5000 2 Under 5,000 lines, see Total State 5080 Network Access Revenues 3 Long Distance Message Revenue 4 5100 5 Unidirectional Long Distance Revenue 5110 Long Distance Private Network Revenue 6 5120 7 Other Long Distance Revenue 5160 Other Long Distance Revenue Settlements 8 5169 9 5200 Miscellaneous Revenue Directory Revenue 5230 10 5240 Rent Revenue 11 Corporate Operations Revenue 5250 12 5260 Miscellaneous Revenue 13 Carrier Billing and Collection Revenue 14 5270 Nonregulated Revenue 5280 15 Uncollectible Revenue 16 5300 Total Revenues (L.2+L.3+L.4+L.9-L.16) 17 **OPERATING EXPENSES:** 18 Network Support Expense 6110 19 6120 General Support Expense 20 Central Office Switching Expense 6210 21 Operator Systems Expense 22 6220 Central Office Transmission Expense 23 6230 Information Origination/Termination Expense 24 6310 Cable and Wire Facilities Expense 25 6410 6431 Aerial Wire Expense 26 6441 Conduit Systems Expense 27 Other Property, Plant & Equipment Expense 6510 28 Network Operations Expense 29 6530 Access Expense 30 6540 Depreciation and Amortization Expense 6560 31 6610 Marketing 32 6620 Services 33 **Executive and Planning** 6710 34 General and Administrative 6720 35 Provision for Uncollectible Notes Receivable 6790 36 Total Operating Expenses (Sum L.19 to L.36-L.26-L.27) 37 Other Operating Income and Expense 7100 38 7200 **Operating Taxes** 39 **Net Operating Income** (L.17-L.37+L.38-L.39) 40

[^] Subaccount of the account marked with a *.

	Year: 2007			
Line	Acct.		This	Last
	No.	Description	Year	Year
No.	(a)	(b)	(c)	(d)
1	2001	Telecommunications Plant in Service	9955287	8364788
2	3100	Accumulated Depreciation	5706463	5232020
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies (regulated & nonregulated)	59983	56523
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	4308807	3189290.5

Average Rate Base - Intrastate

	Acct.		This	Last
Line	No.	Description	Year	Year
No.	(a)	(b)	(c)	(d)
1	2001	Telecommunications Plant in Service		
2		Accumulated Depreciation	have by tot	al company
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6		Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)		

Average Rate Base - Regulated Intrastate

	Acct.		This	Last	\Box
Line	No.	Description	Year	Year	
No.	(a)	(b)	(c)	(d)	凵
1	2001	Telecommunications Plant in Service		1	
2		Accumulated Depreciation	have by to	tal company	
3		Property Held for Future Telecommunications Use			
4	3200	Accumulated Depreciation - 2002			İ
5	1220	Materials and Supplies			
6	4340	Noncurrent Deferred Operating Income Taxes			
7		Pre-1971 Unamortized Investment Tax Credits			
8		Cash Working Capital (if allowed by Commission)			ᅴ
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)			Ш

Statement of Cash Flows

Year: 2007 Amount Line Item Description Amount No. (a) (b) (c) Increase/(decrease) in Cash & Cash Equivalents 1 Cash Flows from Operating Activities: (See attached Statement of Cash Flows) 2 Net Income 3 Reconciliation Adjustments: 4 Depreciation & Amortization 5 Provision for Accounts Receivable Losses 6 7 Deferred Income Taxes - Net Unamortized Investment Tax Credits (ITCs) - Net 8 9 Allowance for Funds Used During Construction (AFUDC) Change in Operating Receivables - Net 10 Change in Materials, Supplies & Inventories - Net 11 Change in Operating Payables & Accrued Liabilities - Net 12 Change in Other Assets & Deferred Credits - Net 13 Change in Other Liabilities & Deferred Credits - Net 14 Other (explained on back of this page) 15 Total Adjustments 16 Net Cash Provided by/(Used in) Operating Activities 17 Cash Inflows/Outflows From Investing Activities: 18 Construction/Acquisition of Property, Plant & Equipment (net of 19 AFUDC & Capital Lease Related Acquisitions) 20 Proceeds from Disposals of Property, Plant & Equipment 21 Investments In & Advances to Affiliates 22 Proceeds from Repayment of Advances 23 Other Investing Activities (explained on back of this page) 24 Net Cash Provided by/(Used in) Investing Activities 25 Cash Flows from Financing Activities: 26 Net Incr./(Decr.) in Short-Term Debt, Original maturity < = 3 mo. 27 Advances from Affiliates 28 Repayment of Advances from Affiliates 29 Proceeds from Issuances of Long-Term Debt 30 Repayment of Long-Term Debt 31 32 Payment of Capital Lease Obligations Proceeds from Issuing Common Stock/Parent Co. Equity Investment 33 Repurchase of Treasury Shares 34 Dividends Paid 35 Other Financing Activities (explained on back of this page) 36 Net Cash Provided by Financing Activities 37 Effect of Exchange Rate Changes on Cash 38 Net Increase/(Decrease) in Cash & Cash Equivalents 39 Cash & Cash Equivalents at Beginning of Period 40 Cash & Cash Equivalents at End of Period

SOUTHERN MONTANA TELEPHONE COMPANY STATEMENT OF CASH FLOWS

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	•	Year Ended I	Decen	nber 31,
		2007		2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$	214,351	\$	172,530
Adjustments to reconcile net income to net cash provided				
by operating activities:				
Depreciation		597,530		553,281
Nonregulated depreciation		267		267
Noncash patronage and stock dividends		(16,668)		(14,581)
Allowance for doubtful accounts		20,266		-
Amortization of discount on certificates of deposit		(32,160)		(43,037)
Allowance for funds used during construction		(15,248)		-
Realized (gain) loss on sale of investments		(15,495)		50,203
Change in assets and liabilities:				
Accounts receivable		9,878		(139,619)
Material and supplies		30,417		189
Other assets		(100)		18,726
Accounts payable and accrued liabilities		(155,855)		205,217
Advance payments and customer deposits		(9,495)		14,048
Net cash provided by operating activities		627,688		817,224
CASH FLOWS FROM INVESTING ACTIVITIES				
Net additions to telephone plant	(2,755,989)		(931,690)
Proceeds from sales of investments		1,475,070		1,726,336
Proceeds from sale of nonregulated investments		-		22,051
Purchase of investments		1,191,482)		(949,391)
Net cash used by investing activities	((2,472,401)		(132,694)

SOUTHERN MONTANA TELEPHONE COMPANY STATEMENT OF CASH FLOWS

	Year Ended I	December 31,
	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES Principal payments of long-term debt Proceeds from long-term debt Equity distributions	\$ (1,118,880) 3,380,129 (139,540)	\$ (211,952) - (304,559)
Net cash provided (used) by financing activities	2,121,709	(516,511)
NET CHANGE IN CASH AND CASH EQUIVALENTS	276,996	168,019
Cash and cash equivalents at beginning of year	761,478	593,459
Cash and cash equivalents at end of year	\$ 1,038,474	\$ 761,478
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION Cash paid during the year for:		
Interest	\$ 93,589	\$ 56,711
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net increase in unrealized loss on available for sale securities	\$ 26,100	\$ 17,491
Salvage of telephone plant to materials and supplies	\$ 37,527	\$ -

Company Name: Southern Montana Telephone Company

ar: 2007	Account 1402	Investments	in Nonaffil.	(k)	279861							•																					279861
25	Account 1401	Investments	In Affil.	(j)								•																					
anies	Account 1210	Interest and	Dividends	(i)																													
ated Comp	Account 1201	Notes	Receivable Allowance	(h)																													
& Nonaffili	Account 1200	;	Notes Peceivable	(g)																													
and Investments-Affiliated & Nonaffiliated Companies	Account 1191	Accounts	Keceivable	Allow: - Outer																				<u> </u>									
Investment	Account 1190	Other	Accounts	(e)											-												•						
Receivables and	Account 1181	Accts. Rec.	Telecom.	(d)													_									-							
Rece	Account 1180	Telecom.	Accounts	neccivable (c)				-																									
	Account 1160		Temporary	mvesunents (b)				•																								-	
				Ammare of Company (a)	Vision Net															-													Totals
			Line	o Z	-	2	3	4	v	, 4) r	~ ox	0 0	٠,	2	Ξ	12	<u>:</u>	4 ;	<u>a</u> :	16	17	81	2 8	7 -	22	23	24	25	56	27	28	30

Company Name: Southern Montana Telephone Company

			Beginning				End of Year	Year End	End of Year
			of Year		_	Sales &	Account 2001	Accumulated	Net Plant
-	Account	Description	Balance	Additions	Retirements	Transfers	Balance	Depreciation	Balance
	(a)	(b)	(c)	(p)	(e)	(f)	(g)	(h)	(i)
*	2110	Land and Support Assets	1460927	149840	81695	-74240	1479609	1199884	279725
<	2111	Land	38451				38451		38451
<	2112	Motor Vehicles	286114	121328	56918	-74240	276284	276284	
<	2113	Aircraft							
<	2114	Special Purpose Vehicles							
<	2115	Garage Work Equipment							
<	2116	_	467578				467578	470897	-3319
<	2121		622793	6720	-		629513	415077	214436
<	2122	· ·							
<	2123	Office Equipment (inc. furniture)	19504	21792			41296	20200	21096
<	2124	General Purpose Computers	26487				26487	17426	1906
	2211	Analog Electronic Switching							
	2212	Digital Electronic Switching	1551721	53191	7334	-6350	1591228	1045872	545356
	2215	Electro-Mechanical Switching							
	2220	Operator Systems							
	2231	Radio Systems							
	2232	Circuit Equipment	726784	468466	17622	70	1	576489	601209
*	2310	Information Orig & Term Equip	18527		•		18527		
~	^ 2311	Station Apparatus	18527				18527	18527	
~	^ 2321								
•	^ 2341	Large Private Branch Exchanges							
~	^ 2351	Public Telephone Term. Equip.							
•	^ 2362	2 Other Terminal Equipment						-	
	2411	l Poles							
-	* 2420	Cable and Wire Facilities	4976380	1915554		17239	9	33	3777950
	^ 2421	l Aerial Cable	33375					21048	12327
	^ 2422	2 Underground Cable	4943005	1915554	•	17239	8615198	3110175	3765623
-	^ 2423	3 Buried Cable							
-	^ 2424	4 Submarine Cable							
-	^ 2425	5 Deep Sea Cable							
	^ 2426	6 Intrabuilding Network Cable							
	2431	1 Aerial Wire							
	2441	1 Conduit Systems							
1		Totals	8734339	2587051	81874	-63281	11176235	5971995	5204240

SCHEDULE 12

Year:2007	Book Cost of Property at End of Year (g)																			
	Transfers and Adjustments Charges and (Credits) (f)																			
	Retirements During the Year (e)																			
Future Use	Additions During the Year (d)																			
Analysis of Plant Held for Future Use	Book Cost of Property at Beginning of Year (c)																			
Analysis	Date Included in Account 2002 (b)																			:
	Location and Description of Property (a)	None																		Totals (Sum L.1 to L.29)
	Line No.		ω 4	۸ ،	9 /	∞ c	7 01	11 2	13	4 7	91	17	61	21	23	24 25	26	27	29	30

Company Name: Southern Montana Telephone Company

Year:2007	Total	Cost	 §∈	2.00%	7.50%	2.00%																								2.26%
Year	Amortization	of Premium	or Discount (k)													<u></u>	•													
		Annual	Net Cost (j)	54035	21191	16141												-												91367
		Yield to	Maturity (i)					-							-															
	Outstanding	Per Balance	Sheet (h)	1338732	225051	2480129																								4043912
erm Debi		Net	Per \$100 (g)															,												
Average Cost of Long Term Debt	į	Net	Proceeds (f)																											
rage Cost		Gross	Proceeds (e)																											
Ave		Principal	Amount (d)	4087000	000599	2480129																								7232129
		Maturity	Date (c)	2016-2023	2010	2026																								
		Issue	Date (b)	Aug-81	Oct-01	Mar-07																						-11		
			Description (a)	RUS	Note Payable	RDUP				-														*		-				Total
		Line	Š.	1	7	6	4	2	9	<u></u>	∞	6	01	Ξ	12	13	4 :	51	17	81	19	20	21	33	24	25	26	78	26	30

Company Name: Southern Montana Telephone Company

ă	Date of Method Call Proceeds Proce						Cost of	Cost of Preferred Stock	d Stock			ļ		Year:2007
Description Issuance Offering Price Offsue Amounts Per \$100 Money Outstanding Cost (s) (c) (d) (f) (g) (h) (f) (f) (g) (h) (h) (h) (h) (h) (h) (h) (h) (h) (h	Description Issuance Offering Price Offissue Amounts Per \$100 Money Outstanding Cost (a) (b) (c) (d) (g) (h) (g) (h) (g) (h) (g) (h) (h) (g) (h) (h) (h) (h) (h) (h) (h) (h) (h) (h			Date of	Method	Call Redemption	Par Value	Gross Proceeds	Net Proceeds	Net Proceeds	Cost of	Principal	Annual	Embedded
	ak (Sum L.1 to L.29)		Description (a)	Issuance (b)	Offering (c)	Price (d)	Of Issue (e)	Amounts (f)	Amounts (g)	Per \$100 (h)	Money (i)	Outstanding (j)	Cost (k)	Cost
	(Sum L.1 to L.29	lone										•		
	(Sum L.1 to L.29							•						
	(Sum L.1 to L.29													
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	(Sum L.1 to L.29													
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Company Name: Southern Montana Telephone Company

<u> </u>								_															-		
Year:2007	Price/	Earnings	Ratio	(i)																					
	Market	Price	Low	(h)																					
	Ma	삼	High	(g)																					
Stock		Retention	Ratio	(t)			•																		
Analysis of Common Stock		Dividends	(per share)	(e)																					
Analys		Earnings	(per share)	(d)	:				***************************************		s lines								•						
	Book	Value	(per share)	(c)		ock.					Not applicable; under 5,000 access lines														
	Avg. Number	of Shares	Outstanding	(b)		Privately Held Stock.		-			Not applicable; u							-							
				(a)	ecember 31:					nth Data:															
					Year Ended December 31:	1			7	8 Month by Month Data:	9 January											0 December		2	3
		1	ZIIIC VIS	INO.	1 (1 10	4 '	S	0 1		<u> </u>	10	_	1.	13	ï	15	ĩ	1	_	19	Ñ	7	22	23

Company Name: Southern Montana Telephone Company

Year:2007	Retirement or	Reaquisition	(9)																				
g the Year	Gain or	(Loss)	(T)																				
or Retired During	Reaquisition or Retirement	Cost			100											,							
Capital Stock and Funded Debt Reacquired or Retired During the Year	Principal	Amount	(n)		1																		
ock and Funded I	Number	Shares	2)																				
Capital Sto	Call or Retirement	Date	(0)																				
''		Descriptic	(a) None												-								Totals (Sum L.1 to L.29)
	-	Line No.		7 6	J 4	5	2 1	∞ ⊂	10	11 5	13	14	91	17	8 6	20	22	23	25	56	27	29	30

Line No. (a) Descripti No. (b) (b) (c) (d) (e) (e) (e) (e) (e) (e) (e) (e) (e) (e	To	Total Company Expense Matrix	Expense Mat	rix			Year:2007
* 6110 > 6112 > 6113 > 6114 > 6115 > 6120 > 6121 > 6121 > 6121 > 6220 * 6210 > 6232 * 6230 > 6231 > 6231 > 6231 > 6230 > 6311 > 6321 > 6321 > 6331 > 6321 > 6331 > 6331 > 6341 > 6421 > 6421 > 6425 > 6425 > 6426 > 6427 > 6426 > 6426	Description (h)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
10	k Support Expense					9	
Columbia Columbia	Motor Vehicle Expense						
 6114 6115 6116 6116 6120 6121 6121 6121 6122 6123 6210 6211 6210 6231 6232 6321 6321 6422 6424 6426 6426 6426 6426 6426 6426 6426 		Not applicable under 5, 000 access lines	der 5, 000 access	; lines			
Color Colo	Vehicles Expense	•				-	
 6116 6120 6121 6121 6122 6123 6210 6211 6212 6213 6230 6230 6231 6232 6321 6321 6421 6422 6425 6426 6426 6426 6426 6426 6426 6426 6426 	Garage Work Equipment Expense	-					
* 6120 > 6121 > 6122 > 6123 > 6123 > 6210 > 6211 > 6210 > 6211 > 6215 > 6215 > 6215 > 6216 > 6217 > 6217 > 6211 > 6216 > 6217 > 6217	Other Work Equipment Expense						
 6121 6122 6123 6124 6124 6210 6211 6211 6212 6211 6220 6231 6232 6321 6321 6422 6424 6426 6426 6426 6426 6426 6426 6426 6426 	General Support Expense						
 6122 6124 6124 6210 6211 6210 6212 6211 6212 6211 6212 6213 6230 6231 6331 6311 6311 6311 6321 6311 6321 6321 6321 6321 6321 6321 6321 6321 6321 6422 6422 6424 6426 6426 6426 6426 6426 6426 6426 6426 6426 	Land and Building Expense						
 6123 6210 6211 6210 6211 6220 6230 6230 6231 6311 6311 6311 6311 6421 6422 6423 6424 6426 	Furniture and Artworks Expense						
+ 6124 + 6210 > 6211 > 6211 > 6215 + 6230 > 6231 > 6231 > 6231 > 631 > 631 > 641 > 642 > 642	Office Equipment Expense						
* 6210 > 6211 > 6215 * 6215 + 6230 * 6231 > 6231 > 6231 > 6231 > 6231 > 6231 > 6421 > 6421 > 6422 > 6422 > 6422 > 6422 > 6422 > 6422 > 6422	General Purpose Computers Expense						
 6211 6215 6216 6220 6230 6231 6231 6311 6311 6311 6311 6410 6421 6422 6424 6426 	Central Office Switching Expense						
 6212 6220 6220 6230 6231 6231 6311 6311 6311 6311 6410 6422 6422 6424 6426 	Analog Electronic Expense						
 6215 6220 6220 6231 6231 6311 6311 6311 6311 6311 6411 6422 6423 6424 6426 	Digital Electronic Expense	-					
# 6220 # 6230 > 6231 > 6231 > 6311 > 6341 > 6341 > 6361 > 6421 > 6422 > 6423 > 6423 > 6424 > 6424	Electro-Mechanical Expense						
* 6230	Operator Systems Expense						
 6231 6310 6311 6311 6311 6351 6410 6421 6422 6424 6425 6426 6431 6431 	Central Office Transmission Expense						
* 6232 * 6310 > 6311 > 6311 > 6361 > 6410 > 6421 > 6422 > 6424 > 6426 > 6426 > 6426 > 6426	Radio Systems Expense						
* 6310 > 6341 > 6341 > 6341 > 6410 > 6411 > 6422 > 6424 > 6424 > 6424 > 6424 > 6424 > 6424 > 6424	Circuit Equipment Expense						
 6311 6341 6341 6351 6410 6421 6423 6425 6425 6426 6426 	Information Origination/Termination Expense						
6341	Station Apparatus Expense						
6351	Large Private Branch Exchange Expense						
6362 * 6410 6411 6421 6422 6422 6423 6424 6424 6424 6424 6424 6424	Public Telephone Terminal Equipment Exp.						
6410 C 6411 C 6421 C 6422 C 6424 C 6424 C 6426 C 6426 C 6431 C	Other Terminal Equipment Expense						
6411 6421 6422 6423 6423 6426 6426 6431	Cable and Wire Facilities Expense						
6421	Expense						
6422 6423 6424 6424 6426 6426 6431	Aerial Cable Expense						
 6423 6424 6425 6426 6431 	Underground Cable Expense						
6424 6425 6426 6431	Buried Cable Expense				•		
> 6425 > 6426 > 6431	Submarine Cable Expense						
× 6426 × 6431	Deep Sea Cable Expense						
· 6431	Intrabuilding Network Cable Expense						
1010	Aerial Wire Expense						
34 Subtotals	tals			;			

Subaccount of the account marked with a *.

Company Name: Southern Montana Telephone Company

SCHEDULE 17
Page 2 of 2

Description Adaptive	Description Description			T	Total Company Expense Matrix	Expense Mat	rix	100		Year:2007
Conduit Systems Expense Conduit Systems Expense Conduit Systems Expense Network Operations Expense Power Power Expense Po	Second Control Contr	∢ ′	i cct	Decription	Salaries and Waoes	Benefits	Rents	Expenses	Clearances	Total
0.8	Carolari Systems Expenses			(a)	(c)	(b)	(e)	(f)	(g)	(b)
	1510 Other Property Expenses	Ľ	14/2	Conduit Systems Expense						
2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	5330 Power Expense 5321 Power Expense 5323 Power Expense 5334 Part Operations Expense 5335 Farsing Expense 5343 Part Operations Expense 5340 Depreciations Expense 5340 Depreciation - Teleconn. Data in Service 5340 Depreciation - Prop. for Future Telecon. Use 5541 Depreciation - Prop. for Future Telecon. Use 5562 Depreciation - Prop. for Future Telecon. Use 5563 Amortization Expense - Tanghle 5610 Particular Expense - Intanghle 6511 Product Advertising 6612 Amortization Services 6613 Product Advertising 6614 Product Management 6615 Sales 6610 Product Advertising 6611 Product Advertising 6612 Sales 6613 Product Advertising 6621 Customer Services 6622 Number Services 6631 Production Relations <td< td=""><td>_</td><td>5510</td><td>Other Property Expenses</td><td></td><td></td><td></td><td></td><td></td><td></td></td<>	_	5510	Other Property Expenses						
	5331 Power Expense 533 Parker Expense 534 Plant Operations Expense 5354 Plant Operations Expense 5340 Access Expense 5340 Access Expense 5340 Access Expense 5341 Depreciation - Telecorum. Use 5342 Depreciation - Prop. for Future Telecoru. Use 5343 Amortization Expense - Tangible 5344 Amortization - Other 5345 Amortization - Other 6610 Marketing 6611 Product Management 6612 Sales 6613 Product Mary Services 6621 Castomer Services 6621 Product Management 6621 Paccuting 6622 Castomer Services 6731 Faccuting and Finance 6732 Legal Human Relations Foresternal Relations 6732 Procurement 6732 Procurement 6732 Procurement 6732 Ca	•	530	Network Operations Expense						
	State Percentage Percentage		5531	Power Expense						
	\$553 Tresting Expense \$534 Part Operations Expense \$540 Access Expense \$540 Access Expense \$540 Access Expense \$541 Depreciation - Floctorm. Plant in Service \$552 Depreciation - Expense - Tangble \$563 Amortization Expense - Tangble \$564 Amortization Expense - Intangble \$655 Amortization Expense - Intangble \$640 Marketing \$641 Sales \$642 Amortization Services \$643 Number Services \$643 Number Services \$644 Accounting and Finance \$645 Accounting and Finance \$671 External Relations \$672 External Relations \$673 Hundranton Management \$673 Freezerth and Administrative \$673 Procurement \$673 Freezerth and Administrative \$673 Procurement \$673 Procurement \$673 Procurement </td <td>_</td> <td>6532</td> <td>Network Administration Expense</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	_	6532	Network Administration Expense						
	Part Operations Expense		6533	Testing Expense						
	Engineering Expense Engineering Expense		6534	Plant Operations Expense						
	6540 Access Expense 6561 Depreciation - Telecomm. Plant in Service 6563 Amortization Frop, for Future Telecom. Use 6564 Amortization Expense - Tangible 6510 Amortization Expense - Intangible 6611 Product Management 6612 Sales 6613 Product Advertising 6614 Call Completion Services 6621 Customer Services 6622 Number Services 6623 Number Services 6624 Customer Services 6625 Factorial Healions 6626 Accounting and Finance 6721 Factorial Healions 6722 Human Relations 6723 Human Relations 6724 Information Management 6725 Legal 6726 Provision for Uncollectible Notes Receivable 6727 Provision for Uncollectible Notes Receivable 6729 Provision for Uncollectible Notes Receivable		6535	Engineering Expense						
	6561 Depreciation - Telecomm. Plant in Service 6562 Depreciation - Telecomm. Use 6563 Amortization Expense - Intagible 6564 Amortization Expense - Intagible 6561 Amortization Expense - Intagible 6562 Amortization Expense - Intagible 6512 Sales 6613 Product Advertising 6614 Sales 6615 Product Advertising 6621 Call Completion Services 6622 Customer Services 6623 Customer Services 6624 Amortization of Customer Services 6625 Human Relations 6726 External Relations 6727 Human Relations 6728 External Relations 6729 Panning 6725 Legal 6726 Accounting and Finance 6727 Human Relations 6728 External Ralations 6729 Provision for Uncollectible Notes Receivable 6729 Provision for Uncollectible Notes Receivable 6739 Provision for Uncollectible Notes Receivable 6739 Provision for Uncollectible Notes Receivable		6540	Access Expense						
	6562 Depreciation-Prop for Future Telecom. Use 6563 Amoritzation Expense - Tangible 6564 Amoritzation Expense - Intangible 6564 Amoritzation Expense - Intangible 6510 Marketing 6611 Product Management 6612 Product Advertising 6613 Product Advertising 6621 Call Completion Services 6622 Number Services 6632 Number Services 6632 Panning 6731 External Relations 6732 External Relations 6734 Information Management 6735 Logal 6736 Procument 6737 Research and Development 6738 Other General and Administrative 6739 Provision for Uncollectible Notes Receivable 6739 Provision for Uncollectible Notes Receivable		6561	Depreciation - Telecomm. Plant in Service						
	6563 Amortization Expense - Tangible Amortization Expense - Intangible 6564 Amortization Expense - Intangible Amortization Expense - Intangible 6516 Amortization - Other Amortization - Other 6611 Product Management Amortization - Other 6612 Sales Sales 6613 Product Advertising Amortization - Other 6614 Number Services Amortization - Other 6621 Customer Services Amortization and Finance 6622 Customer Services Accounting and Finance 6711 Executive Gramming and Finance 6721 External Relations Accounting and Finance 6722 External Relations Accounting and Administrative 6723 Procurement Accounting Accounting for Chroalted by Notes Receivable Account marked with a *.		6562	Depreciation-Prop. for Future Telecom. Use						
	6564 Amortization Expense - Intangible 6565 Amortization Expense - Intangible 6565 Amortization Other 6561 Marketing 6611 Product Management 6612 Sales 6612 Sales Completion Services 6613 Product Advortising 6621 Call Completion Services 6621 Call Completion Services 6621 Call Completion Services 6622 Customer Services 6623 Customer Services 6731 Executive 6731 Executive 6732 Legal Accounting and Finance 6733 Human Relations 6724 External Relations 6724 Luman Relations 6725 Legal 6725 Legal Concuernent 6726 Procurement 6727 Research and Development 6727 Research and Administrative 6728 Other General and Administrative 6728 Other General and Administrative 6730 Provision for Uncollectible Notes Receivable 6729 Provision for Uncollectible Notes Receivable 7 10418 6730 Totals 1 10418		6563	Amortization Expense - Tangible						
12	6565 Amortization - Other 6610 Marketing 6611 Product Management 6612 Sales 6613 Product Advertising 6614 Product Advertising 6615 Call Completion Services 6621 Customer Services 6622 Customer Services 6623 Customer Services 6624 Customer Services 6721 Executive 6721 Parounting and Finance 6722 External Relations 6723 Human Relations 6724 Legal 6725 Legal 6726 Procurement 6727 Legal 6728 Other General and Development 6729 Provision for Uncollectible Notes Receivable 6720 Provision for Uncollectible Notes Receivable 6730 Provision for Uncollectible Notes Receivable		6564	Amortization Expense - Intangible						
	6610 Marketing 6611 Product Management 6612 Sales 6613 Product Advertising 6621 Call Completion Services 6622 Number Services 6623 Customer Services 6624 Planning 6725 Planning and Finance 6721 Parenting 6722 External Relations 6724 Information Management 6725 Human Relations 6726 Procurement 6727 Research and Development 6728 Chorer Ceneral and Administrative 6729 Provision for Uncollectible Notes Receivable 6720 Provision for Uncollectible Notes Receivable	_	6565	Amortization - Other						
	6611 Product Management 6612 Sales 6613 Product Advertising 6614 Call Completion Services 6625 Call Completion Services 6626 Customer Services 6627 Customer Services 6628 Customer Services 6629 Customer Services 6710 Executive 6711 Executive 6712 Planning 6713 External Relations 6724 Information Management 6725 Legal 6726 Procurement 6727 Research and Development 6728 Other General and Administrative 6729 Provision for Uncollectible Notes Receivable 6739 Provision for Uncollectible Notes Receivable 6730 Provision for Uncollectible Notes Receivable		0199	Marketing						
	6612 Sales 6613 Product Advertising 6621 Call Completion Services 6622 Number Services 6623 Number Services 6624 Customer Services 6725 Executive 6726 External Relations 6727 External Relations 6724 Information Management 6725 Legal 6726 Procurement 6727 Legal 6728 Uher General and Administrative 6729 Provision for Uncollectible Notes Receivable 6720 Other General and Administrative 6721 Provision for Uncollectible Notes Receivable 6722 Provision for Uncollectible Notes Receivable		1199	Product Management						
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	6621 Call Completion Services 6622 Number Services 6623 Customer Services 6624 Customer Services 6627 Executive 6711 Executive 6721 Accounting and Finance 6722 External Relations 6723 Human Relations 6724 Information Management 6725 Procurement 6726 Procurement 6727 Research and Development 6728 Other General and Administrative 6729 Provision for Uncollectible Notes Receivable 6730 Provision for Uncollectible Notes Receivable 7 Totals		6613	Product Advertising						
	6622 Number Services 6623 Customer Services 6624 Customer Services 6711 Executive 6712 Planning 6721 Accounting and Finance 6722 External Relations 6723 Human Relations 6724 Information Management 6725 Legal 6726 Procurement 6727 Research and Development 6728 Other General and Administrative 6729 Provision for Uncollectible Notes Receivable 6790 Provision for Uncollectible Notes Receivable 6790 Provision for Uncollectible Notes Receivable	_	6621	Call Completion Services						
	6623 Customer Services 6711 Executive 6712 Planning 6721 Accounting and Finance 6722 External Relations 6723 Human Relations 6724 Information Management 6725 Legal 6726 Procurement 6727 Research and Development 6726 Other General and Administrative 6727 Research and Development 6728 Other General and Administrative 6739 Provision for Uncollectible Notes Receivable 6790 Provision for Uncollectible Notes Receivable		6622	Number Services						
	6711 Executive 6712 Planning 6721 Accounting and Finance 6722 External Relations 6723 Human Relations 6724 Information Management 6725 Legal 6726 Procurement 6727 Research and Development 6728 Other General and Administrative 6730 Provision for Uncollectible Notes Receivable 6730 Provision for Uncollectible Notes Receivable 6730 Totals		6623	Customer Services						
	6712 Planning 6721 Accounting and Finance 6722 External Relations 6723 Human Relations 6724 Information Management 6725 Legal 6726 Procurement 6727 Research and Development 6729 Other General and Administrative 6720 Provision for Uncollectible Notes Receivable 6730 Provision for Uncollectible Notes Receivable 6790 Provision for Uncollectible Notes Receivable 6790 Provision for Uncollectible Notes Receivable		6711	Executive						
	6721 Accounting and Finance 6722 External Relations 6723 Human Relations 6724 Information Management 6725 Legal 6726 Procurement 6727 Research and Development 6728 Other General and Administrative 6729 Provision for Uncollectible Notes Receivable 6790 Provision for Uncollectible Notes Receivable 6790 Totals nt of the account marked with a *.		6712	Planning						
	6722 External Relations 6723 Human Relations 6724 Information Management 6725 Legal 6726 Procurement 6727 Research and Development 6728 Other General and Administrative 6729 Provision for Uncollectible Notes Receivable 6729 Provision for Uncollectible Notes Receivable 6730 Totals nt of the account marked with a *.		6721	Accounting and Finance						
	6724 Information Management 6724 Information Management 6725 Legal 6726 Procurement 6727 Research and Development 6728 Other General and Administrative 6729 Provision for Uncollectible Notes Receivable 6730 Provision for Uncollectible Notes Receivable 6790 Provision for Uncollectible Notes Receivable 6790 Totals		6722	External Relations						
	6724 Information Management 6725 Legal 6726 Procurement 6727 Research and Development 6727 Research and Administrative 6728 Other General and Administrative 6729 Provision for Uncollectible Notes Receivable 6730 Provision for Uncollectible Notes Receivable 6740 Totals A rotal of the account marked with a *.		6723	Human Relations						
	6725 Legal 6726 Procurement 6727 Research and Development 6728 Other General and Administrative 6729 Provision for Uncollectible Notes Receivable 6730 Provision for Uncollectible Notes Receivable A Totals nt of the account marked with a *.	_	6724	Information Management						
	6726 Procurement 6727 Research and Development 6728 Other General and Administrative 6729 Provision for Uncollectible Notes Receivable 6730 Provision for Uncollectible Notes Receivable 674 Totals In of the account marked with a *.		6725	Legal						
	6727 Research and Development 6728 Other General and Administrative 6790 Provision for Uncollectible Notes Receivable Totals Totals It of the account marked with a *.		6726	Procurement						
	6728 Other General and Administrative 6790 Provision for Uncollectible Notes Receivable Totals In to fthe account marked with a *.	-	6727	Research and Development						
+	6790 Provision for Uncollectible Notes Receivable Totals Totals nt of the account marked with a *.		6728	Other General and Administrative						
	Totals Totals Totals Totals		6790	Provision for Uncollectible Notes Receivable	į					
Totals	nt of the account marked with a *.	1		Totals						

SCHEDULE 18
Page 1 of 2

Act. Description and	Salaries and Wages (c) A applicable und	Salaries and Wages (c) (d) Not applicable under 5, 000 access lines	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
No. Description (a) (b) (b) 6110 Network Support Expense 6112 Motor Vehicle Expense 6113 Aircraft Expense 6114 Special Purpose Vehicles Expense 6115 Garage Work Equipment Expense 6115 Other Work Equipment Expense 6120 General Support Expense 6121 Land and Building Expense 6122 Furniture and Artworks Expense 6123 Office Equipment Expense 6210 Central Office Switching Expense 6210 Analog Electronic Expense 6211 Analog Electronic Expense 6220 Operator Systems Expense 6230 Central Office Transmission Expense 6231 Radio Systems Expense 6232 Circuit Equipment Expense	(c) (c) applicable und	Benefits (d) ler 5, 000 access	Rents (e) s lines	Expenses (f)	Clearances (g)	Total (h)
(a) Network Support Expense 6110 Network Support Expense 6112 Aircraft Expense 6113 Aircraft Expense 6114 Special Purpose Vehicles Expense 6115 Garage Work Equipment Expense 6116 Other Work Equipment Expense 6120 General Support Expense 6121 Land and Building Expense 6121 Furniture and Artworks Expense 6122 General Purpose Computers Expense 6124 General Purpose Computers Expense 6210 Central Office Switching Expense 6210 Land and Building Expense 6210 Central Office Switching Expense 6210 Central Office Transmission Expense 6220 Operator Systems Expense 6230 Central Office Transmission Expense 6231 Radio Systems Expense 6232 Circuit Equipment Expense	applicable und	(d)	i i	<u>(c)</u>	(8)	(F)
6110 Network Support Expense 6112 Motor Vehicle Expense 6113 Aircraft Expense 6114 Special Purpose Vehicles Expense 6115 Garage Work Equipment Expense 6116 Other Work Equipment Expense 6120 General Support Expense 6121 Land and Building Expense 6121 Furniture and Artworks Expense 6122 Furniture and Artworks Expense 6124 General Purpose Computers Expense 6210 Central Office Switching Expense 6211 Digital Electronic Expense 6212 Digital Electronic Expense 6213 Radio Systems Expense 6230 Central Office Transmission Expense 6231 Radio Systems Expense 6232 Circuit Equipment Expense	applicable und	ler 5, 000 access	s lines			
Aircraft Expense 6113 Aircraft Expense 6114 Special Purpose Vehicles Expense 6115 Garage Work Equipment Expense 6116 Other Work Equipment Expense 6120 General Support Expense 6121 Land and Building Expense 6122 Furniture and Artworks Expense 6123 Office Equipment Expense 6210 Central Office Switching Expense 6210 Analog Electronic Expense 6211 Analog Electronic Expense 6220 Central Office Transmission Expense 6230 Central Office Transmission Expense 6231 Radio Systems Expense 6232 Circuit Equipment Expense 6332 Lifermation Origination/Termination Expense	applicable und	ler 5, 000 access	s lines			
6113 Arterate Expense 6114 Special Purpose Vehicles Expense 6115 Garage Work Equipment Expense 6116 Other Work Equipment Expense 6120 General Support Expense 6121 Land and Building Expense 6122 Furniture and Artworks Expense 6123 Office Equipment Expense 6214 General Purpose Computers Expense 6216 Central Office Switching Expense 6217 Digital Electronic Expense 6218 Digital Electronic Expense 6220 Operator Systems Expense 6230 Central Office Transmission Expense 6231 Radio Systems Expense 6232 Circuit Equipment Expense 6330 Information Origination/Termination Expense						
6114 6115 6116 6120 6121 6122 6123 6210 6211 6211 6212 6212 6212 6230 6230 6231						
6115 6120 6120 6121 6122 6123 6124 6210 6211 6212 6212 6212 6230 6230 6230						
6120 6121 6122 6123 6123 6124 6210 6211 6212 6212 6230 6230 6230 6231						
6120 6121 6122 6123 6124 6210 6211 6212 6215 6230 6230 6231						
6122 6122 6123 6124 6210 6211 6212 6215 6230 6230 6231						
6122 6123 6124 6210 6211 6212 6220 6230 6231 6231						
6123 6124 6210 6211 6212 6215 6220 6230 6231 6231						
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6230 6230 6231 6231 6232 6332						
6230 6231 6232 6232 6310						
6230 6231 6232 6310						
6231 6232 6310						
6232						
6310						
_						
^ 6311 Station Apparatus Expense						
^ 6341 Large Private Branch Exchange Expense						
^ 6351 Public Telephone Terminal Equipment Exp.						
^ 6362 Other Terminal Equipment Expense						
* 6410 Cable and Wire Facilities Expense						
^ 6411 Poles Expense						
^ 6421 Aerial Cable Expense						
^ 6422 Underground Cable Expense						
^ 6423 Buried Cable Expense						
△ 6424 Submarine Cable Expense						
^ 6425 Deep Sea Cable Expense						
^ 6426 Intrabuilding Network Cable Expense				-		
^ 6431 Aerial Wire Expense						
Subtotals						

Company Name: Southern Montana Telephone Company

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				Total State Expense Matrix	xpense Matrix	.			Year:2007
Line	L	Acct.		Salaries			Other		
Š.		No.	Description	and Wages	Benefits	Rents	Expenses	Clearances	Total
		(a)	(b)	(0)	(p)	(e)	(J)	(g)	(h)
35	<		Conduit Systems Expense		-				
36		6510	Other Property Expenses						
37	*	(530	Network Operations Expense			_	-		
38	<	6531	Power Expense						
39	<	6532	Network Administration Expense						
40	<	6533	Testing Expense						
41	<	6534	Plant Operations Expense						
42	<	6535	Engineering Expense						
43		6540	Access Expense			·			
44		6561	Depreciation - Telecomm. Plant in Service						
45		6562	Depreciation-Prop. for Future Telecom. Use						
46	_	6563	Amortization Expense - Tangible						
47		6564	Amortization Expense - Intangible						
48		6565	Amortization - Other						
49	*	* 6610	Marketing						
20	`	^ 66 11	Product Management						
51	`	^ 6612	Sales						
52		v 6613	Product Advertising						
53		6621	Call Completion Services						
54		6622	Number Services						
55		6623	Customer Services						
26		6711	Executive						
57		6712	Planning .						
58		6721	Accounting and Finance			-			
59		6722	External Relations						
99		6723	Human Relations						-
19	_	6724	Information Management						
62		6725	Legal						
63	_	6726	Procurement						
64		6727	Research and Development			_			
65		6728	Other General and Administrative						
99		0629	Provision for Uncollectible Notes Receivable						
<i>L</i> 9			Totals						
Su <	bacc	count of the	Subaccount of the account marked with a *.	•					
)		Court of the							DACE 21

Year: 2007 **Pension Costs** Plan Name Defined Contribution Plan? 2 Defined Benefit Plan? Yes IRS Code: 3 Actuarial Cost Method? Is the Plan Over Funded? __ 4 Annual Contribution by Employer: \$76,888 Current Year Last Year % Change Item 6 Change in Benefit Obligation 7 Benefit obligation at beginning of year 8 Service cost 9 Interest Cost 10 Plan participants' contributions 11 Amendments 12 Actuarial Gain 13 Acquisition 14 Benefits paid 15 Benefit obligation at end of year 16 Change in Plan Assets 17 Fair value of plan assets at beginning of year 18 Actual return on plan assets 19 Acquisition 20 Employer contribution 21 Plan participants' contributions 22 Benefits paid 23 Fair value of plan assets at end of year 24 Funded Status 25 Unrecognized net actuarial loss 26 Unrecognized prior service cost 27 Prepaid (accrued) benefit cost 28 l 29 Weighted-average Assumptions as of Year End 30 Discount rate 31 Expected return on plan assets 32 Rate of compensation increase 34 Components of Net Periodic Benefit Costs 35 Service cost 36 Interest cost 37 Expected return on plan assets 38 Amortization of prior service cost 39 Recognized net actuarial loss 40 Net periodic benefit cost 41 42 Montana Intrastate Costs: **Pension Costs** 43 Pension Costs Capitalized 44 l Accumulated Pension Asset (Liability) at Year End 46 Number of Company Employees: Covered by the Plan 47 Not Covered by the Plan 48 49 Active Retired 50 Deferred Vested Terminated Page 22

SCHEDULE 20

Other Post Employment Benefits (OPEBS)

Item | Current Year |

Page 1 of 2 Year: 2007

***************************************	Item	Current Year	Last Year	% Change
4	Regulatory Treatment:	Garrone rour		1 35
	Commission authorized - most recent			
2		NI NI	ot Applicable	
3	Docket number:	ľ	At Uhhurania	
4	Order number:			
5	Amount recovered through rates			
	Weighted-average Assumptions as of Year End			
	Discount rate			
	Expected return on plan assets			
	Medical Cost Inflation Rate]
10	Actuarial Cost Method			
11	Rate of compensation increase		<u> </u>	
12	List each method used to fund OPEBs (ie: VEBA, 401(I	າ)) and if tax advant	aged:	
13				
14				
	Describe any Changes to the Benefit Plan:		 -	
16				
17	TOTAL COMPANY	· · · · · · · · · · · · · · · · · · ·		
	Change in Benefit Obligation			
	Benefit obligation at beginning of year		•	-{
	Service cost			
				1
	Interest Cost			
	Plan participants' contributions			
	Amendments			
	Actuarial Gain		*	
	Acquisition	!		
	Benefits paid			
	Benefit obligation at end of year			
28	Change in Plan Assets			·
29	Fair value of plan assets at beginning of year	 		
	Actual return on plan assets	1		
	Acquisition			
	Employer contribution			
	Plan participants' contributions			
	Benefits paid	,		
	Fair value of plan assets at end of year			7
	Funded Status			
	Unrecognized net actuarial loss		'	
]		1
38	Unrecognized prior service cost			-
39	Prepaid (accrued) benefit cost			
	Components of Net Periodic Benefit Costs	1		1
	Service cost			1
	Interest cost			
43	Expected return on plan assets			1
44	Amortization of prior service cost			
45	Recognized net actuarial loss			┥
46	Net periodic benefit cost		<u> </u>	
47	Accumulated Post Retirement Benefit Obligation			
48	Amount Funded through VEBA			
49	Amount Funded through 401(h)		l .	
50				
51	TOTAL			
52	Amount that was tax deductible - VEBA		ļ	
53				
54	1			
55				
	IVIAL			Page 23

SCHEDULE 20

Page 2 of 2 Other Post Employment Benefits (OPEBS) Continued Year: 2007 Last Year % Change Current Year

1	Number of Company Employees:		
2	Covered by the Plan		ŀ
3	Not Covered by the Plan		
4	Active		i
5	Retired		
6	Spouses/Dependants covered by the Plan	 	
7	Montana		
- 8	Change in Benefit Obligation		
9	Benefit obligation at beginning of year		1
	Service cost		}
11	Interest Cost		
12	Plan participants' contributions		
	Amendments		
14	Actuarial Gain		
15	Acquisition		}
	Benefits paid		
	Benefit obligation at end of year		
	Change in Plan Assets		"
19	Fair value of plan assets at beginning of year		
	Actual return on plan assets		
	Acquisition		
	Employer contribution		
	Plan participants' contributions		i
	Benefits paid		
25	Fair value of plan assets at end of year	 	
	Funded Status		
	Unrecognized net actuarial loss		[·
28	Unrecognized prior service cost		
	Prepaid (accrued) benefit cost		
30	Components of Net Periodic Benefit Cccosts		
	Service cost		
	Interest cost		
	Expected return on plan assets		.
34	Amortization of prior service cost		
35	Recognized net actuarial loss		
	Net periodic benefit cost		
37	Accumulated Post Retirement Benefit Obligation		
38	Amount Funded through VEBA		
39	l		1
40	l		
41			
1 72	Amount that was tax deductible - VEBA		
43			1
43	l		
45		 	
40	Montana Intrastate Costs:		<u> </u>
47	l .		
48	1	1	
49	1		<u></u>
50	Number of Montana Employees:		1
51	l		
52	I		
53	·]
54			
55	1		J
1 22			Page 24

SCHEDULE 21

Page 1 of Year: 2007

Payments for Services to Persons Other Than Employees

		to I ci boils of the I I I I I	Total	Total	
	Name of	Nature of	Company	State	Intrastate
Line	Parining	Service		Cost	Cost
No.	Recipient		Cost	COSI	
	(a)	(b)	(c)	(d)	(e) ·
1					
2 3	Not applicable; under 5,000 access li	nes			
3					•
4					
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9					
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31					
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33					
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35					
36					
37	1				
38					}
39					
40					
41					
42	1				
43	· ·				
44			1	1	
45					
46					
47			1		[
48				 	
49	Total		<u> </u>		PAGE 25
					PAG

	Subscrib	er Line Usage D	ata		'ear: 2007
Line		This	% of	Last	% of
1 1	Description	Year	Total	Year	Total
No.	(a)	(b)	(c)	(d)	(e)
1	Toll Usage:]
2	Interstate, InterLATA	3621721	49.65%	3820780	57.25%
3	Interstate, IntraLATA	235	0.00%	85	0.00%
	,		İ		
4	Total Interstate Usage	3621956	49.65%	3820865	57.25%
5	Intrastate, InterLATA	514050	7.05%	435933	6.53%
6	Intrastate, IntraLATA*	3158669	43.30%	2417348	36.22%
7	Total Intrastate Usage	3672719	50.35%	2853281	42.75%
'	, otal illustrate outgo				
8	Total Toll Usage	7294675	100.00%	6674146	100.00%
9	Centrex		-		
10	Local				
11	Total Minutes	7294675	100.00%	6674146	100.00%

^{*} includes intraMTA usage total of 669,984, wireless traffic.

SCHEDULE 23

Page 1 of

1009 94 102 308 230 275 Access Lines (n) 2007 Total Year: T. Tone Lines w/ % of (\mathbf{H}) Other Company Оwned Coin 3 2 Customer Owned Coin 4 3 9 28 13 Business Multi-Line \odot Cental Office and Access Line Statistics 8 10 24 19 17 Business Single Line Ξ Customers Customers Residential LMS 3 Lifeline Ξ ADSL **e** ISDN 9 898 274 181 244 Residential 88 88 3 Type of Office Digital Digital Digital Digital Digital **(9**) Wire Center <u>a</u> Wise River Total Jackson Wisdom Divide Grant Line ģ

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NOTE: Additional blank schedules are being provided for your convenience.

SCHEDULE 24

Company Name: Southern Montana Telephone Company

Page 1 of Year: 2007

Central Office and Switch Information

		erar Othico and Sin					
		Office					
		Configuration		Switch		Switch	
Line		(Host, Remote,	Type of	Vendor/	Switch	Line	Year
No.	Wire Center	Stand alone)	Switch	Manufacturer		Capacity	Deployed
110.	l .	(b)	(c)	(d)	(e)	(f)	(g)
1	(a)		Digital	NTI	DMS-10	512	1990
1	406-267	Remote					
2	406-832	Remote	Digital	NTI	DMS-10	512	1983
3	406-689-S	Remote	Digital	NTI	DMS-10	512	1983
4	406-689	Host	Digital	NTI	DMS-10	640	1983
5	406-834-J	Remote	Digital	NTI	DMS-10	512	1983
6	406-834 - T	Remote	Digital	NTI	DMS-10	512	1983
7	406-681	Remote	Digital	NTI	DMS-10	512	1983
8			<u> </u>		· · · · · · · · · · · · · · · · · · ·		
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48	I	I	1	i		f	

NOTE: Additional blank schedules are being provided for your convenience.

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Construction Budget - Montana

	Construction Duaget 1.10mmana	1	
Line	Description		2008
No.	(a)		(b)
1	Central Office Assets:	 	\ <u>``</u>
2	Cent at Office Assess.		
3			
4 5			
6	•		
7			
8			
9			,
10			
11			
12			
13			
14			
15			
16			•
17			
18			
19			
20		}	
21			
22			
23			
24			·
25			
26			
27	Total Switching and Central Office Projects over \$500,000		
28	Miscellaneous Central Office Projects not over \$500,000	\$	302,000
29	Total Central Office Budget (Total of Line 27 & Line 28)	\$	302,000
30	Other Projects over \$500,000:		
31	Grant/Tash Outside Plant Upgrade project	\$	966,217
32			
33			
34		1	
35			
36			
37			
38	·		
39			
40		.	
41	Total Other Projects over \$500,000		
42	Miscellaneous projects not over \$500,000	ļ	*****
43	Total Construction Budget (Total of Lines 29, 41 & 42)	<u> </u>	302000

Montana Total State Construction Expenditures

	FCC Part 32				Percent
Line	Account No.	Description	This Year	Last Year	Change
No.	(a)	(b)	(c)	(d)	(e)
1	2110	General Support Assets	149840	145471	3.00%
2	2210	Central Office Assets	53191	165178	-67.80%
3	2220	Operator Systems		0	
4	2230	2230 Central Office Transmission 468466		0	
5	2310	Information/Termination Assets	n/Termination Assets		
6	2410	2410 Cable and Wire Facilities Assets 1915554		627153	205.44%
7	2680	Amortizable Tangible Assets		0	
8	2690	Intangibles		0	
9		Total Construction Expenditures	2587051	937802	175.86%

Montana Employee Counts

	1770Htalla Dilipio, 00 Odalis	Beginning	End
Line	C-4	of Year	of Year
No.	Category		
	(a)	(b)	(c)
1	Executive	1	2
2	Office	3	4
3	Outside Plant/COE includes construction technicians and splicers	3	3
4			
5			
6			
7	note: this is the employee count on the payroll at year end.		
8			
9			
10			
11			
12			
13	·		
14			
15			}
16			
17			
		}	
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19			
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28	<u>,</u>		
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42	Totals (Sum of Lines 1 through 42)	7	9
43	Lotals (Sum of Lines Lentough 72)	<u>. </u>	

SCHEDULE 28

Year: 2007

Compensation of Top 5 Corporate Employees - SEC Information

	Compensation of To	P C C C F C		- J			
Line No.	Name/Title	Base Salary	Bonuses	Other Compensation		Total Compensation Last Year (f)	% Increase Total Compensation (g)
	(a)	(b)	(c)	(d)	(e)	(1)	(5)
2	Not applicable						
3					·		
4							
5							
	·						
	·						
	·						
				 			
6	Totals (Sum L.1 to L.5)				L		DACE 22

Montana Composite Statistics

		Montana Composite Statistics	
т	Account		
Line	No.	Description	Amount
No.	- 1 - 1	(a)	(b)
$\frac{1}{1}$		Plant (Intrastate Only) (000 Omitted)	· · · · · · · · · · · · · · · · · · ·
1 ' 1		Trant (this ascase Only) (000 Onlineed)	1
_	2001	mi di C	Not available-Not able to
2	2001	Plant in Service	
3	2003 - 2004	Construction Work in Progress	provide this information
4	2005	Plant Acquisition Adjustments	This would require
5	2002	Plant Held for Future Use	hiring outside consultants
6	1220	Materials & Supplies	1
7	1220	(Less):	
	3100 - 3400	Depreciation & Amortization Reserves	
8			
9	4360.2	Contributions in Aid of Construction	
10		NET BOOK COSTS	
11		Revenues & Expenses (Intrastate Only) (000 Omitted)	
**			
1 , 1	5000 - 5300	Operating Revenues	
12	3000 - 3300	Operating Revenues	
13	6560	Depreciation & Amortization Expenses	
14		Federal & State Income Taxes	
15		Other Taxes	
16		Other Operating Expenses	
17		TOTAL Operating Expenses	
*′		1011ED 0p4.448 =p	
1		Not On section Income	
18		Net Operating Income	•
19		Other Income	
20		Other Deductions	
			1
21		NET INCOME	
~ '		112111100112	
22		Access Lines in Service (Intrastate Only)	
22		Access Lines in Service (Intrastate Only)	
23		Residential Access Lines	'
24		Business Access Lines	
25		PBX Access Lines	
26		Other Access Lines	\
27		Total Number of Access Lines	·
"			
		Average Number of Calls Per Access Line	
28		Average Number of Cans Let Access Line	
29		Local Calls	
30		Toll Calls (Intra- or Interstate)	
31		Total Number of Calls Per Access Line	
		(Total of Line 29 & Line 30 divided by Line 27)	
32		Other Statistics (Intrastate Only)	· [
32		CANADA CANADARA (CONTRACTOR AT TOTAL)	
		Average Residential Monthly Bill	
33		Average Residential Monthly Bill	
34		Gross Plant Investment per Access Line	Į l
1			

		Depreciation - Montana Intrastate Re	gulated	Year: 2007
			Composite	Total
<u> </u>	Acct	Description	Rate	Expense
Line	No.	·	%	\$
No.	(a)	(b)	(c)	(d) :
1	2112	Motor Vehicles	33.0%	58,219
2	2114	Special Purpose Vehicles		1
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	13.37%	
5	2121	Buildings	4.2%	26,184
6	2122	Furniture		
7	2123.1	Office Support Equipment (includes furniture)	11.7%	696
8	2123.2	Company Communications Equipment	9.25%	•
9	2124	General Purpose Computers	20.0%	5,297
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment (software is 33%)	10.0%	150,531
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems		
16	2232	Circuit DDS		
17	2232	Circuit Digital	10.0%	83,083
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		ł
20	2362	Other Terminal Equipment		
21	2411	Poles		
22	2421	Aerial Cable Metallic		
23	2421	Aerial Cable Nonmetallic		
24	2422	Underground Cable Metallic	5.0%	171,777
25	2422	Underground Cable Nonmetallic (fiber optic)	5.0%	100,213
26	2423	Buried Cable Metallic		
27	2423	Buried Cable Nonmetallic		
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		,
30	2426	Intrabuilding Network Cable Metallic		
31	2426	Intrabuilding Network Cable Nonmetallic		
32	2431	Aerial Wire	5.0%	1,530
33	2441	Conduit Systems		
34		,	1	255155215535555555555555555555555555555
35		COMPOSITE TOTAL		
36				597,530
37	Pleas	e list the Montana Public Service Commission Docket Order I	No. approving these de	epreciation rates
38				
39		Docket Number 86.5.22 Order Num	iber 5213	
40				

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SCHEDULE 30a

Company Name: Southern Montana Telephone Company

Amortization - Montana Intrastate Regulated

Year: 2007 Total Composite Description Rate Expense Acct Line .% \$ No. No. (c) (d) (a) (b) 2 3 4 5 6 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 COMPOSITE TOTAL 35 36 Please list the Montana Public Service Commission Docket Order No. approving these amortization rates 37 38 Order Number Docket Number 39 40

Company Name: Southern Montana Telephone Company

Montana Regulatory Capital Structure & Costs

	Montana Regulatory Capit			
Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	Commission Accepted - Most Recent			
1	Docket Number			
2	Order Number	_		
3				
4	Common Equity			
	Preferred Stock			
	Long Term Debt			
7	Other			
	Total	<u> </u>		
9 10	Actual at Year End			
11				
12	Common Equity			
	Preferred Stock			
	Long Term Debt			
	Other			
16	Total		(30.00000000000000000000000000000000000	

Company Name: Southern Mont

SCHEDULE 32

Network Access - Charges and Revenues

Access
Charges
Paid
Paid

Network Access - Charges and Revenues
Revenues
Received

l '		Charges	Revenues
Line	Description	Paid	Received
No.	(a)	(b)	(c)
1	Montana - Total State (both switched & special access)		405697
2			
3	Montana - Intrastate		405697
4		ļ	40.550.5
5	Montana - Intrastate Regulated		405697
6			
7			
8	•		
9			
10			
11			
12	·		
13			

Company Name: Southern Montana Telephone Company

SCHEDULE 33

Year: 2007	Charges to MT Utility (f)	182,328	38,420									\$220,748
	% Total Affil. Revenues (e)	8										
vided to Utility	Charges to Utility (d)								,			
Affiliate Transactions - Products & Services Provided to Utility	Method to Determine Price (c)	Varies	Hourly Rate		4.11							
Affiliate Transactions -	Products & Services (b)	Computer Service Bureau (Billing, CABs, acct & plant, software maintenance)	Consultants (Cost Studies, Separations, Traffic Studies, etc)									
7	Affiliate Name (a)	National Information Systems (GVNW									TOTAL
	Line No.		0 / 8 6	10	2 2 2	15	17	19 20 21	22 23 2	25	28	\Box

Company Name: Southern Montana Telephone Company

SCHEDULE 34

Year: 2007	Charges to MT Utility (f)		
Y			
lity	% Total Affil. Revenues (e)		
ovided by Uti	Charges to Affiliate (d)		
Affiliate Transactions - Products & Services Provided by Utility	Method to Determine Price		
Affiliate Transactions -	Products & Services (b)		
	Affiliate Name (a)		TOTAL
	Line No.	1	

1	Montana Intrastate Regulated Earned Ra			ar: 2007
e	Description	This	Last	Percent
	Rate Base	Year	Year	Change
<u> </u>	(a)	(b)	(c)	(d)
1		0.055.000	0.264.700	10.016
2 2001	Plant in Service	9,955,290	8,364,788	19.01
3 2002	Prop. Held for Future Telecommunications Use	(5.50 < 4.50)	(* ***	0.05
	0 (Less) Accumulated Depreciation	(5,706,465)	(5,232,020)	-9.07
5	Plant in Service	4,248,825	3,132,768	35.63
6				
7	Additions	50,000	56 522	<i>(</i> 13
8 1220	Materials & Supplies	59,983	56,523	6.12
1280	Prepayments			
0	Other Additions			
1	TOTAL Additions	59,983	56,523	6.12
2	Deductions			
3 4100	Deductions Current Deferred Operating Income Taxes			
4100				
4320	Unamortized Operating Investment Tax Credits			
4340	Noncurrent Deferred Operating Income Taxes			
7	Customer Advances for Construction			
3	Other Deductions			
·	TOTAL Deductions	4 200 000	2 190 201	35.10
	TOTAL Rate Base	4,308,808	3,189,291	33.10
	N. A.T	193,351	196,196	-1.45
2	Net Earnings	193,331	190,190	-1.43
Rate	of Return on Average Rate Base	4.49%	6.15%	-27.06
5 Rate (or recently on reverse reach person			
	of Return on Average Equity			
7				
3 Major No	ormalizing Adjustments & Commission			
Ratemaki	ing adjustments to Utility Operations			
0				
1	this represents year end balances divided by 2, please call 2	09-955-6103, Lorrie	Bernstein	
2	if you need more			
3	·			٠
<u> </u>			İ	
5				
5				
7				
8				
9			 	
ól				
1				
2				
3 Adjus	sted Rate of Return on Average Rate Base			,
4				
	sted Rate of Return on Average Equity	1 1		

Other Taxes Paid

Year: 2	2007
---------	------

Line	Description	Last Year	This Year
No.	(a)	· (b)	(c)
1	Montana Telephone Company License Tax	-	
2	Montana Public Service Commission Tax (PSC TX)	1,350	907
3	Montana Consumer Counsel Tax (Consum Coun TX)	376	247
4	911 Emergency Telephone Fee (in payables)	1,485	3,473
	Montana Telecommunications Access Service (TDD) payab	297	297
6	Montana Corporate License Tax		
7	Personal Property Tax		
8	Real Property Tax	43,281	45,543
9	FCC Reg Fee	494	288
10			
11			
12	Total	47,283	50755

SCHEDULE 37

	Year: 2007		
Line	Description	Last Year	This Year
No.	(a)	(b)	(c) .
13	Funds received from Montana Sources		
14	Funds received from Federal Sources	281,381	284,658
15			
16			İ
17		·	
18			
19			<u>.</u>
20			
21			
22			•
23		-04.004	204550
24	Total	281,381	284658